

105TH CONGRESS
1ST SESSION

H. R. 3082

To amend title II of the Social Security Act and the Internal Revenue Code of 1986 to provide prospectively for personalized retirement security through personal retirement savings accounts to allow for more control by individuals over their Social Security retirement income, and to provide other reforms relating to benefits under such title II.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 13, 1997

Mr. SMITH of Michigan (for himself, Mr. PORTER, Mr. CAMPBELL, Mr. KNOLLENBERG, Mr. HOUGHTON, and Mr. SANFORD) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend title II of the Social Security Act and the Internal Revenue Code of 1986 to provide prospectively for personalized retirement security through personal retirement savings accounts to allow for more control by individuals over their Social Security retirement income, and to provide other reforms relating to benefits under such title II.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

2 (a) SHORT TITLE.—This Act may be cited as the
3 “Social Security Solvency Act of 1997”.

4 (b) TABLE OF CONTENTS.—

Sec. 1. Short title; table of contents.

Sec. 2. Findings and purposes.

TITLE I—INDIVIDUAL RETIREMENT SECURITY PROGRAM

Sec. 101. Establishment of individual retirement security program.

Sec. 102. Reallocation of certain social security contributions from the social security trust funds to personal retirement savings accounts.

Sec. 103. Adjustments to primary insurance amounts under part A of title II of the Social Security Act.

Sec. 104. Personal retirement savings accounts.

TITLE II—SOCIAL SECURITY BENEFIT REFORMS

Sec. 201. Gradual increase in retirement age and early retirement age.

Sec. 202. Adjustments to bend points in determining primary insurance amounts.

Sec. 203. Information relating to benefit limitations provided in social security account statements.

Sec. 204. Phased reduction in spousal benefits other than survivor's benefits to 33 percent of primary insurance amount.

Sec. 205. Limitation on payment of certain benefits in excess of contributions during years of higher income.

Sec. 206. Coverage of newly hired State and local employees.

Sec. 207. Increase in widow's and widower's insurance benefits.

Sec. 208. Study to develop recommendations for providing for elections under which individuals may opt for exclusion from social security coverage.

5 **SEC. 2. FINDINGS AND PURPOSES.**

6 (a) FINDINGS.—The Congress makes the following
7 findings:

8 (1) One of America's most popular Government
9 programs, Social Security, is in jeopardy. The 1997
10 Board of Trustee's report states that the current
11 system faces an actuarial deficit of 2.23 percent of
12 taxable payroll. According to the 1997 Board of
13 Trustee's report, the Social Security trust fund will

1 begin to run a deficit by 2011 and will be exhausted
2 by 2029.

3 (2) Helping assure Americans retirement secu-
4 rity is a major national goal.

5 (3) The Congress should strengthen Social Se-
6 curity to ensure Americans retirement security. The
7 changes made to strengthen Social Security
8 should—

9 (A) create a solvent Social Security sys-
10 tem,

11 (B) maintain or increase total retirement
12 benefits for current and future retirees,

13 (C) avoid payroll tax increases, and

14 (D) avoid additional Federal debt as a
15 means of financing Social Security.

16 (4) The root causes of the weaknesses in the
17 present Social Security system are its inadequate
18 funding mechanism and changing demographics. So-
19 cial Security was designed in 1935 as a pay-as-you-
20 go system, in which current workers supported cur-
21 rent retirees. This design worked when America had
22 42 workers per beneficiary in 1945, but that ratio
23 has fallen over time. In 1995 there are only 3.3
24 workers per beneficiary, and by 2060 the ratio is
25 projected to fall to 1.8 workers per beneficiary. To

1 pay benefits to the rising number of retirees, the
2 Government has levied increasing payroll taxes on
3 workers. To maintain the program in its current
4 form, the Government will have to continue to raise
5 payroll taxes or substantially reduce benefits.

6 (5) The key to a more secure Social Security
7 system is increased savings and private investment.
8 We should move from a financing system based on
9 the Federal Government's power to tax workers to
10 one based on savings and investment accounts
11 owned and controlled by workers.

12 (6) Allowing workers to take advantage of high-
13 er investment returns will increase their income in
14 retirement. Over the last 100 years, the stock mar-
15 ket has earned roughly 7 percent after inflation
16 compared to a yield of 1.5 to 2 percent after infla-
17 tion projected by the Social Security Administration
18 for workers' payroll taxes. The difference is enor-
19 mous. For example, \$1,000 invested for 50 years at
20 2 percent becomes nearly \$2,700. The same amount
21 invested for 30 years at 7 percent becomes nearly
22 \$30,000.

23 (b) PURPOSES.—The purposes of this Act are as fol-
24 lows:

1 (1) To give workers and retirees more own-
2 ership and control over their retirement savings.

3 (2) To improve the living standards of
4 American seniors by allowing them to take ad-
5 vantage of low-risk investment opportunities
6 that earn higher returns than those they can
7 expect to realize under the current Social Secu-
8 rity system.

9 (3) To stimulate the American economy by
10 increasing savings and investment leading to
11 higher productivity, more jobs, and better
12 wages.

13 (4) To ensure the solvency of the Social
14 Security system while maintaining an adequate
15 reserve in the Social Security trust fund.

16 **TITLE I—INDIVIDUAL RETIRE-**
17 **MENT SECURITY PROGRAM**

18 **SEC. 101. ESTABLISHMENT OF INDIVIDUAL RETIREMENT**
19 **PROGRAM.**

20 (a) IN GENERAL.—Title II of the Social Security Act
21 is amended—

22 (1) by inserting before section 201 the follow-
23 ing:

24 “PART A—INSURANCE BENEFITS”;

25 and

1 (2) by adding at the end the following new part:

2 “PART B—INDIVIDUAL RETIREMENT SECURITY

3 PROGRAM

4 “DEPOSITS TO PERSONAL RETIREMENT SAVINGS

5 ACCOUNTS

6 “SEC. 251. (a) DESIGNATION OF PERSONAL RETIRE-
7 MENT SAVINGS ACCOUNTS.—Under regulations pre-
8 scribed by the Board of Trustees, an individual who is a
9 covered employee or a covered self-employed individual
10 may designate, in writing filed with the Commissioner of
11 Social Security in such form and manner as may be pre-
12 scribed in such regulations, one or more personal retire-
13 ment savings accounts to which deposits with respect to
14 the individual are to be made under subsection (c). The
15 individual may designate other personal retirement sav-
16 ings accounts in lieu of or in addition to accounts pre-
17 viously designated, in accordance with regulations of the
18 Board of Trustees.

19 “(b) DESIGNATION BY COMMISSIONER IN ABSENCE
20 OF TIMELY DESIGNATION BY INDIVIDUAL.—The initial
21 designation by an individual must be made within 10 busi-
22 ness days following the first day for which such individual
23 is a covered employee or a covered self-employed individ-
24 ual. In any case in which there is no timely designation
25 of a personal retirement savings account with respect to

1 an individual who is a covered employee or a covered self-
 2 employed individual, the Commissioner of Social Security
 3 shall make the designation of a personal retirement sav-
 4 ings account under subsection (a) on behalf of such indi-
 5 vidual, in accordance with regulations of the Board of
 6 Trustees.

7 “(c) DEPOSITS INTO PERSONAL RETIREMENT SAV-
 8 INGS ACCOUNTS.—Within 10 business days after receipt
 9 during any fiscal year of taxes paid under sections 3101(a)
 10 and 3111(a) of the Internal Revenue Code of 1986 with
 11 respect to a covered employee, and within 10 business days
 12 after receipt during any fiscal year of taxes paid under
 13 section 1401(a) of such Code with respect to a covered
 14 self-employed individual, the Secretary of the Treasury,
 15 from amounts otherwise available in the general fund of
 16 the Treasury, shall deposit, into such personal retirement
 17 savings accounts as are designated under this section and
 18 in such manner of distribution as may be specified in con-
 19 nection with the distribution, a total amount equal to the
 20 product derived by multiplying the amount of such taxes
 21 by the reallocation percentage declared for such fiscal year
 22 under section 201(n) of this Act.

23 “PERIODIC REPORTS BY ACCOUNT TRUSTEE

24 “SEC. 252. (a) IN GENERAL.—The trustee of a per-
 25 sonal retirement savings account shall make periodic re-
 26 ports concerning the status of the account which shall

1 meet the requirements of section 408B(g)(2) of the Inter-
2 nal Revenue Code of 1986 and of this section. Each peri-
3 odic report shall be furnished to the account holder on
4 at least a quarterly basis on or before the 30th day follow-
5 ing the period for which the report is required.

6 “(b) INFORMATION REQUIRED TO BE INCLUDED.—
7 The periodic report shall contain the following information
8 for transactions occurring during the period for which the
9 report is provided:

10 “(1) The balance in the account.

11 “(2) The amount of authorized personal retire-
12 ment savings account contributions.

13 “(3) The amount of distributions.

14 “(4) The name and address of the trustee.

15 “(5) Commission fees and fees for administra-
16 tive expenses charged in connection with the ac-
17 count.

18 “(6) Other information which may be required
19 from time to time by the Board of Trustees.

20 The language of the report shall be written in a form so
21 as to be understood by the average covered employee.

22 “(c) REPORTS TO BOARD OF TRUSTEES.—The
23 Board of Trustees may require the periodic report to be
24 filed with the Board at such time as the Board may speci-
25 fy in regulations under this section.

1 “(d) FAILURE BY TRUSTEE TO MAKE TIMELY PERI-
2 ODIC REPORTS.—

3 “(1) IN GENERAL.—The trustee of a personal
4 retirement savings account shall be subject to a civil
5 penalty of not to exceed \$100 a day from the date
6 of such trustee’s failure or refusal to furnish the
7 periodic report required to be furnished by the trust-
8 ee under this section until the date on which such
9 report is furnished.

10 “(2) PENALTIES ASSESSED BY BOARD OF
11 TRUSTEES.—Any civil penalty assessed by this sub-
12 section shall be imposed by the Board of Trustees
13 and collected in a civil action. The Board of Trust-
14 ees may compromise the amount of any civil penalty
15 imposed by this subsection. The Board of Trustees
16 may waive the application of this subsection with re-
17 spect to any failure if the Board of Trustees deter-
18 mines that such failure is due to reasonable cause
19 and not to intentional disregard of rules and regula-
20 tions.

21 “TRANSFERS TO ACCOUNTS

22 “SEC. 253. Not later than January 1 of each cal-
23 endar year after 1999, the Secretary of the Treasury shall
24 transfer to each of the personal savings retirement ac-
25 counts in existence as of the end of the preceding fiscal
26 year and on the date of the transfer, from amounts in

1 the general fund of the Treasury not otherwise appro-
 2 priated, an amount equal to the quotient derived by divid-
 3 ing—

4 “(1) $33\frac{1}{3}$ percent of the amount specified as
 5 the budget surplus for such fiscal year in the month-
 6 ly treasury statement issued in December following
 7 such fiscal year, by

8 “(2) the total number of such personal savings
 9 retirement accounts.

10 “DEFINITIONS

11 “SEC. 254. For purposes of this title—

12 “(1) PERSONAL RETIREMENT SAVINGS AC-
 13 COUNT.—The term ‘personal retirement savings ac-
 14 count’ has the meaning provided in section 408B of
 15 the Internal Revenue Code of 1986.

16 “(2) COVERED EMPLOYER.—The term ‘covered
 17 employer’ means, for any calendar year, any person
 18 on whom an excise tax is imposed under section
 19 3111 of the Internal Revenue Code of 1986 with re-
 20 spect to having an individual in his employ to whom
 21 wages are paid by such person during such calendar
 22 year.

23 “(3) COVERED EMPLOYEE.—The term ‘covered
 24 employee’ means, in connection with any person who
 25 is a covered employer for any calendar year begin-
 26 ning after December 31, 1998, any individual with

1 respect to whose employment by such employer dur-
2 ing such calendar year there is imposed an excise
3 tax under section 3111 of the Internal Revenue
4 Code of 1986.

5 “(4) COVERED SELF-EMPLOYED INDIVIDUAL.—
6 The term ‘covered self-employed individual’ means
7 any individual on whose self-employment income for
8 a taxable year beginning after December 31, 1998,
9 there is imposed a tax under section 1401(a) of the
10 Internal Revenue Code of 1986.

11 “(5) BUSINESS DAY.—The term ‘business day’
12 means any day other than a Saturday, Sunday, or
13 legal holiday in the area involved.

14 “(6) BOARD OF TRUSTEES.—

15 “(A) IN GENERAL.—The term ‘Board of
16 Trustees’ means the Board of Trustees of the
17 Federal Old-Age and Survivors Insurance Trust
18 Fund and the Federal Disability Insurance
19 Trust Fund.

20 “(B) ROLE OF SECRETARY OF THE TREAS-
21 URY.—

22 “(i) IN GENERAL.—In connection with
23 the duties of the Board of Trustees under
24 this part, the Secretary of the Treasury

1 shall serve as Executive Director of the
2 Board of Trustees.

3 “(ii) STAFF.—Upon request of the
4 Board of Trustees, the Secretary may de-
5 tail, on a reimbursable basis, any of the
6 personnel of the Department of the Treas-
7 ury to the Board of Trustees to assist it in
8 carrying out its duties under this part.

9 “(iii) ADMINISTRATIVE SUPPORT.—
10 Upon the request of the Board, the Sec-
11 retary shall provide to the Board of Trust-
12 ees from the Department of the Treasury,
13 on a reimbursable basis, the administrative
14 support services necessary for the Board to
15 carry out its responsibilities under this
16 part.”.

17 (b) EFFECTIVE DATE AND NOTICE REQUIRE-
18 MENTS.—

19 (1) EFFECTIVE DATE.—The amendments made
20 by subsection (a) shall apply with respect to wages
21 paid after December 31, 1998, for pay periods end-
22 ing after such date and self-employment income for
23 taxable years beginning after such date.

24 (2) NOTICE REQUIREMENTS.—

1 (A) IN GENERAL.—Not later than October
2 1, 1998, the Commissioner of Social Security,
3 pursuant to direction by the Board of Trustees
4 of the Federal Old-Age and Survivors Insurance
5 Trust Fund and the Federal Disability Insur-
6 ance Trust Fund, shall—

7 (i) send to the last known address of
8 each eligible individual a description of the
9 program established by the amendments
10 made by this Act, which shall be written in
11 the form of a pamphlet in language which
12 may be readily understood by the average
13 worker,

14 (ii) provide for toll-free access by tele-
15 phone from all localities in the United
16 States to the Social Security Administra-
17 tion and for a site on the Internet through
18 which individuals may obtain information
19 and answers to questions regarding such
20 program, and

21 (iii) provide information to the media
22 in all localities of the United States about
23 such program, such toll-free access by tele-
24 phone, and such site on the Internet.

1 (B) ELIGIBLE INDIVIDUAL.—For purposes
2 of this paragraph, the term “eligible individual”
3 means an individual who, as of the date of the
4 pamphlet sent pursuant to subparagraph (A), is
5 indicated within the records of the Social Secu-
6 rity Administration as—

7 (i) not having attained age 65, and

8 (ii) being credited with one or more
9 quarters of coverage under section 213 of
10 the Social Security Act.

11 (C) MATTERS TO BE INCLUDED.—The
12 Commissioner of Social Security shall include
13 with the pamphlet sent to each eligible individ-
14 ual pursuant to subparagraph (A)—

15 (i) a statement of the number of quar-
16 ters of coverage indicated in the records of
17 the Social Security Administration as of
18 the date of the description as credited to
19 such individual under section 213 of the
20 Social Security Act and the date as of
21 which such records may be considered ac-
22 curate, and

23 (ii) the number for toll-free access by
24 telephone established by the Commissioner
25 pursuant to subparagraph (A).

1 **SEC. 102. REALLOCATION OF CERTAIN SOCIAL SECURITY**
 2 **CONTRIBUTIONS FROM THE SOCIAL SECU-**
 3 **RITY TRUST FUNDS TO PERSONAL RETIRE-**
 4 **MENT SAVINGS ACCOUNTS.**

5 (a) ANNUAL DECLARATION OF REALLOCATION PER-
 6 CENTAGE.—Section 201 of the Social Security Act (42
 7 U.S.C. 401) is amended by adding at the end the following
 8 new subsection:

9 “Annual Declaration of Reallocation Percentage

10 “(n)(1) The Board of Trustees shall declare and pub-
 11 lish in the Federal Register on or before August 1 of each
 12 calendar year the reallocation percentage for amounts oth-
 13 erwise appropriated for the following fiscal year to the
 14 Federal Old-Age and Survivors Insurance Trust Fund
 15 under paragraphs (3) and (4) of subsection (a).

16 “(2) For purposes of this title—

17 “(A) The term ‘reallocation percentage’ for any
 18 fiscal year means—

19 “(i) in the case of fiscal years preceding
 20 fiscal year 2004, 20.16 percent,

21 “(ii) in the case of fiscal years following
 22 fiscal year 2003 and preceding fiscal year 2017,
 23 22.58 percent, and

24 “(iii) in the case of fiscal years following
 25 fiscal year 2016, the best estimate of the Board
 26 of Trustees of the maximum percentage by

1 which the amounts described in paragraph (1)
2 for such fiscal year may be reduced so as to
3 maintain a reserve in the Federal Old-Age and
4 Survivors Insurance Trust Fund as of the end
5 of such fiscal year equal to 50 percent of the
6 amount of benefits projected to be paid from
7 the Trust Fund during the next fiscal year.

8 In making the estimate under clause (ii), the Board
9 of Trustees shall utilize the intermediate actuarial
10 assumptions utilized by the Board of Trustees for its
11 most recent annual report issued under subsection
12 (c).”.

13 (b) REDUCTION IN APPROPRIATIONS TO THE TRUST
14 FUNDS.—Section 201 of such Act (as amended by sub-
15 section (a)) is amended further by adding at the end the
16 following new subsection:

17 “Reduction in Appropriations to the Trust Funds

18 “(o) Under regulations prescribed by the Board of
19 Trustees (in consultation with the Secretary of the Treas-
20 ury) to carry out this subsection, the amounts appro-
21 priated for any fiscal year under paragraphs (3) and (4)
22 of subsection (a), to the extent attributable to taxes paid
23 during such fiscal year with respect to an individual who
24 is for such fiscal year a covered employee (as defined in
25 section 254(3)) or a covered self-employed individual (as

1 defined in section 254(4)), shall be reduced by the product
 2 derived by multiplying the total amount appropriated
 3 under subsections (a) and (b) for such fiscal year which
 4 is so attributable by (2) the reallocation percentage for
 5 such fiscal year.”.

6 **SEC. 103. ADJUSTMENTS TO PRIMARY INSURANCE**
 7 **AMOUNTS UNDER PART A OF TITLE II OF THE**
 8 **SOCIAL SECURITY ACT.**

9 (a) IN GENERAL.—Section 215 of the Social Security
 10 Act (42 U.S.C. 415) is amended by adding at the end the
 11 following new subsection:

12 “Adjustment of Primary Insurance Amount in Relation
 13 to Deposits Made to Personal Retirement Savings
 14 Accounts

15 “(j)(1) Except as provided in paragraph (2), an indi-
 16 vidual’s primary insurance amount as determined in ac-
 17 cordance with this section (before adjustments made
 18 under subsection (i)) shall be equal to the excess (if any)
 19 of—

20 “(A) the amount which would be so determined
 21 without the application of this subsection, over

22 “(B) the monthly amount of an immediate life
 23 annuity, determined on the basis of the total of all
 24 amounts which have been deposited pursuant to sec-
 25 tion 251(c) (indexed in the same manner as is appli-

1 cable with respect to average indexed monthly earn-
2 ings under subsection (b)) into all personal retire-
3 ment savings accounts held by such individual, plus
4 accrued interest compounded annually, assuming an
5 interest rate of 3.7 percent and using the mortality
6 table used under 412(l)(7)(C)(ii) of the Internal
7 Revenue Code of 1986.

8 “(2) In the case of an individual described in para-
9 graph (1) who becomes entitled to disability insurance
10 benefits under section 223, such individual’s primary in-
11 surance amount shall be determined without regard to
12 paragraph (1).

13 “(3) For purposes of this subsection, the term ‘imme-
14 diate life annuity’ means an annuity—

15 “(A) the annuity starting date (as defined in
16 section 72(c)(4) of the Internal Revenue Code of
17 1986) of which commences with the first month fol-
18 lowing the date of the determination, and

19 “(B) which provides for a series of substantially
20 equal monthly payments over the life expectancy of
21 the individual described in paragraph (1).”.

22 (b) CONFORMING AMENDMENT TO RAILROAD RE-
23 TIREMENT ACT OF 1974.—Section 1 of the Railroad Re-
24 tirement Act of 1974 (45 U.S.C. 231) is amended by add-
25 ing at the end the following:

1 “(s) In applying applicable provisions of the Social
 2 Security Act for purposes of determining the amount of
 3 the annuity to which an individual is entitled under this
 4 Act, section 215(j) of the Social Security Act and part
 5 B of title II of such Act shall be disregarded.”

6 (c) EFFECTIVE DATE.—The amendments made by
 7 this section shall apply with respect to computations and
 8 recomputations of primary insurance amounts occurring
 9 after December 31, 1998.

10 **SEC. 104. PERSONAL RETIREMENT SAVINGS ACCOUNTS.**

11 (a) DEDUCTION FOR CONTRIBUTIONS BY TAX-
 12 PAYER.—Part VII of subchapter B of chapter 1 of the
 13 Internal Revenue Code of 1986 (relating to additional
 14 itemized deductions) is amended by redesignating section
 15 222 as section 223 and by inserting after section 221 the
 16 following new section:

17 **“SEC. 222. CONTRIBUTIONS TO PERSONAL RETIREMENT**
 18 **SAVINGS ACCOUNTS.**

19 “(a) IN GENERAL.—In the case of an individual who
 20 is an electing personal retirement savings account partici-
 21 pant for the taxable year, there shall be allowed as a de-
 22 duction an amount equal to 50 percent of the amount con-
 23 tributed during such taxable year by such individual to
 24 a personal retirement savings account maintained for the
 25 benefit of such individual.

1 “(b) LIMITATION.—The amount of contributions
2 which may be taken into account under subsection (a)
3 shall not exceed \$2,000.

4 “(c) ELECTING PERSONAL RETIREMENT SAVINGS
5 ACCOUNT PARTICIPANT.—An individual is an electing
6 personal retirement savings account participant for any
7 taxable year if any amount is deposited under section
8 251(c) of the Social Security Act for such taxable year
9 to a personal retirement savings account maintained for
10 the benefit of such individual.

11 “(d) SPECIAL RULES.—

12 “(1) NO DEDUCTION FOR TRUSTEE-TO-TRUST-
13 EE TRANSFERS.—No deduction shall be allowed for
14 amounts transferred to an account under section
15 408B(f)(2).

16 “(2) TIME WHEN CONTRIBUTIONS DEEMED
17 MADE.—For purposes of this section, a taxpayer
18 shall be deemed to have made a contribution to a
19 personal retirement savings account on the last day
20 of the preceding taxable year if the contribution is
21 made on account of such taxable year and is made
22 not later than the time prescribed by law for filing
23 the return for such taxable year (not including ex-
24 tensions thereof).”

1 (b) PERSONAL RETIREMENT SAVINGS ACCOUNTS.—
2 Subpart A of part I of subchapter D of chapter 1 of such
3 Code (relating to pension, profit-sharing, stock bonus
4 plans, etc.) is amended by inserting after section 408A
5 the following new section:

6 **“SEC. 408B. PERSONAL RETIREMENT SAVINGS ACCOUNTS.**

7 “(a) GENERAL RULE.—Gross income shall not in-
8 clude any amount deposited in a personal retirement sav-
9 ings account under section 251(c) of the Social Security
10 Act.

11 “(b) PERSONAL RETIREMENT SAVINGS ACCOUNT.—
12 For purposes of this title, the term ‘personal retirement
13 savings account’ means a trust created or organized in the
14 United States for the exclusive benefit of an individual or
15 his beneficiaries, but only if the written governing instru-
16 ment creating the trust meets the following requirements:

17 “(1) No contribution will be accepted other
18 than—

19 “(A) deposits under sections 251(c) and
20 253 of the Social Security Act, and

21 “(B) contributions made in cash, except
22 that contributions under this subparagraph may
23 not be accepted for any taxable year in excess
24 of \$2,000.

1 “(2) No amount may be paid or distributed
2 from such trust—

3 “(A) before the date on which the account
4 holder attains age 59½, becomes entitled to
5 disability insurance benefits under section 223
6 of the Social Security Act, or dies, or

7 “(B) in a manner not meeting the require-
8 ments of subsection (d).

9 “(3) The trustee of which is a regulated invest-
10 ment company (as defined in section 851) which is
11 approved by the Secretary for purposes of this sec-
12 tion.

13 “(4) The interest of an individual in the bal-
14 ance in his account is nonforfeitable.

15 Paragraphs (1) and (2) shall not apply to direct trustee-
16 to-trustee transfers described in subsection (f)(2).

17 “(c) INVESTMENT REQUIREMENTS.—

18 “(1) IN GENERAL.—Amounts in a personal re-
19 tirement savings account may be invested only in
20 regulated investment companies (as defined in sec-
21 tion 851) which are approved by the Secretary for
22 purposes of this section.

23 “(2) CRITERIA FOR SECRETARIAL APPROVAL.—
24 The Secretary may approve a regulated investment
25 company for purposes of this section only if—

1 “(A) an election is in effect under section
2 851(b)(1) for such company, and

3 “(B) the portfolio assets of such com-
4 pany—

5 “(i) replicate the assets of a broad-
6 based index of stocks which is approved by
7 the Secretary, or

8 “(ii) are of a type determined by the
9 Secretary not to involve high risks for the
10 investor.

11 To the extent possible, the Secretary shall approve
12 under subparagraph (B)(i) funds in each of the fol-
13 lowing 4 categories: domestic stocks, domestic bonds,
14 stocks of companies having small capitalization, and
15 foreign stocks. The Secretary shall take into account
16 management costs in determining whether to ap-
17 prove a company for purposes of this section.

18 “(d) DISTRIBUTION REQUIREMENTS.—

19 “(1) IN GENERAL.—The requirements of this
20 subsection are met with respect to distributions from
21 a personal retirement savings account only if such
22 distributions are in accordance with a payment op-
23 tion under paragraph (2). The preceding sentence
24 shall not apply to direct trustee-to-trustee transfers
25 described in subsection (f)(2).

1 “(2) PAYMENT OPTIONS.—The payment options
2 under this paragraph are the following:

3 “(A) LIFETIME OPTION.—Distributions in
4 equal annual or more frequent periodic install-
5 ments over a stated period of 10, 15, or 20
6 years, payable to the account holder. The trust-
7 ee of the account shall be liable under the terms
8 of the account to the account holder for the
9 timely payment of periodic payments during the
10 stated period. If the account holder survives the
11 stated period, the terms governing the account
12 shall provide for continuing distributions for the
13 life of the account holder in annual or more fre-
14 quent periodic payments for the life of the ac-
15 count holder or (if earlier) until exhaustion of
16 the account balance.

17 “(B) NONLIFETIME OPTION.—Distribu-
18 tions in equal annual or more frequent periodic
19 installments of interest only, or of interest and
20 principal. Any such payment of equal install-
21 ments shall continue until—

22 “(i) payment ceases at the direction of
23 the account holder to the trustee,

24 “(ii) payment continues in accordance
25 with this subparagraph but at an adjusted

1 level at the direction of the account holder
 2 to the trustee, or

3 “(iii) the distribution converts to an
 4 option described in subparagraph (A) at
 5 the direction of the account holder to the
 6 trustee.

7 “(C) ADDITIONAL OPTIONS.—Distributions
 8 in any other manner permitted under regula-
 9 tions prescribed by the Secretary.

10 “(e) ACCOUNT EXEMPT FROM TAX.—

11 “(1) GENERAL RULE.—Any personal retirement
 12 savings account is exempt from taxation under this
 13 subtitle. Notwithstanding the preceding sentence,
 14 any such account is subject to the taxes imposed by
 15 section 511 (relating to imposition of tax on unre-
 16 lated business income of charitable, etc. organiza-
 17 tions).

18 “(2) APPLICATION OF PROHIBITED TRANS-
 19 ACTIONS RULES, ETC.—Rules similar to the rules of
 20 paragraphs (2), (3), and (4) of section 408(e) shall
 21 apply to personal retirement savings accounts.

22 “(f) DISTRIBUTIONS TAXED AS IF SOCIAL SECURITY
 23 BENEFITS.—

24 “(1) GENERAL RULE.—Amounts paid or dis-
 25 tributed from a personal retirement savings account

1 shall be includible in gross income only if so includ-
2 ible under section 86, determined by treating such
3 amounts as social security benefits (as defined in
4 such section).

5 “(2) TRUSTEE-TO-TRUSTEE TRANSFERS.—No
6 amount shall be includible in gross income by reason
7 of a direct trustee-to-trustee transfer between per-
8 sonal retirement savings accounts of the same indi-
9 vidual.

10 “(3) RETURN OF EXCESS CONTRIBUTIONS.—
11 Paragraph (1) shall not apply to the distribution of
12 any contribution (other than a deposit made under
13 section 251(c) of the Social Security Act) made dur-
14 ing a taxable year to the extent that such contribu-
15 tion exceeds the dollar amount specified in sub-
16 section (b)(1)(B) if—

17 “(A) such distribution is received on or be-
18 fore the last day prescribed by law (including
19 extensions) for filing such individual’s return
20 for such taxable year,

21 “(B) such contribution is not taken into
22 account in determining the deduction allowed
23 under section 222, and

1 “(C) such distribution is accompanied by
2 the amount of net income attributable to such
3 contribution.

4 Any net income described in subparagraph (C) shall
5 be included in gross income for the taxable year in
6 which such contribution is made.

7 “(g) CERTAIN OTHER RULES TO APPLY.—The fol-
8 lowing rules shall apply to personal retirement savings ac-
9 counts in the same manner that such rules apply to indi-
10 vidual retirement accounts:

11 “(1) Section 408(h) (relating to custodial ac-
12 counts).

13 “(2) Section 408(i) (relating to reports).

14 “(h) TREATMENT AFTER DEATH OF ACCOUNT
15 HOLDER.—A personal retirement savings account shall
16 cease to be such on the date of the account holder’s death,
17 but no amount shall be includible in gross income by rea-
18 son of such cessation.”

19 “(c) DEDUCTION ALLOWED WHETHER OR NOT TAX-
20 PAYER ITEMIZES OTHER DEDUCTIONS.—Subsection (a)
21 of section 62 of such Code is amended by inserting after
22 paragraph (17) the following new paragraph:

23 “(18) PERSONAL RETIREMENT SAVINGS AC-
24 COUNTS.—The deduction allowed by section 222.”

25 “(d) TAX ON EXCESS CONTRIBUTIONS.—

1 (1) IN GENERAL.—Subsection (a) of section
 2 4973 of such Code is amended by striking “or” at
 3 the end of paragraph (4), by adding “or” at the end
 4 of paragraph (5), and by inserting after paragraph
 5 (5) the following new paragraph:

6 “(6) a personal retirement savings account (as
 7 defined in section 408B),”.

8 (2) EXCESS CONTRIBUTION DEFINED.—Section
 9 4973 is amended by adding at the end the following
 10 new subsection:

11 “(g) EXCESS CONTRIBUTIONS TO PERSONAL RE-
 12 TIREMENT SAVINGS ACCOUNTS.—For purposes of this
 13 section—

14 “(1) IN GENERAL.—In the case of personal re-
 15 tirement savings accounts maintained for the benefit
 16 of any 1 beneficiary, the term ‘excess contributions’
 17 means the amount by which the amount contributed
 18 for the taxable year to such accounts exceeds
 19 \$2,000.

20 “(2) SPECIAL RULES.—For purposes of para-
 21 graph (1), the following contributions shall not be
 22 taken into account:

23 “(A) Any contributions under section
 24 251(c) of the Social Security Act.

25 “(B) Any trustee-to-trustee transfer.”

1 (e) CONFORMING AMENDMENTS.—

2 (1) Paragraph (1) of section 4975(e) of such
3 Code (relating to tax on prohibited transactions) is
4 amended by redesignating subparagraph (F) as sub-
5 paragraph (G), by striking “or” at the end of sub-
6 paragraph (E), and by inserting after subparagraph
7 (E) the following new subparagraph:

8 “(F) a personal retirement savings account
9 described in section 408B(b), or”.

10 (2) Paragraph (2) of section 6693(a) of such
11 Code (relating to failure to provide reports on cer-
12 tain tax favored accounts or annuities) is amended
13 by redesignating subparagraphs (C) and (D) as sub-
14 paragraphs (D) and (E), respectively, and by insert-
15 ing after subparagraph (B) the following new sub-
16 paragraph:

17 “(C) section 408B(g)(2) (relating to per-
18 sonal retirement savings accounts),”.

19 (f) CLERICAL AMENDMENTS.—

20 (1) The table of sections for part VII of sub-
21 chapter B of chapter 1 of such Code is amended by
22 striking the last item and inserting the following
23 new items:

“Sec. 222. Contributions to personal retirement savings accounts.
“Sec. 223. Cross reference.”

1 (2) The table of sections for subpart A of part
 2 I of subchapter D of chapter 1 of such Code is
 3 amended by inserting after the item relating to sec-
 4 tion 408A the following new item:

“Sec. 408B. Personal retirement savings accounts.”

5 (g) EFFECTIVE DATE.—The amendments made by
 6 this section shall apply to taxable years beginning after
 7 December 31, 1998.

8 **TITLE II—SOCIAL SECURITY**

9 **BENEFIT REFORMS**

10 **SEC. 201. GRADUAL INCREASE IN RETIREMENT AGE AND**

11 **EARLY RETIREMENT AGE.**

12 (a) RETIREMENT AGE.—Section 216(l)(1) of the So-
 13 cial Security Act (42 U.S.C. 416(l)(1)) is amended to read
 14 as follows:

15 “(l)(1) The term ‘retirement age’ means—

16 “(A) with respect to an individual who attains
 17 age 62 before January 1, 2000, 65 years of age,

18 “(B) with respect to an individual who attains
 19 age 62 after December 31, 1999, and before Janu-
 20 ary 1, 2015, 65 years of age plus $\frac{3}{12}$ of the number
 21 of months in the period beginning with January
 22 2000 and ending with the last month of the calendar
 23 year in which the individual attains age 62,

1 “(C) with respect to an individual who attains
2 age 62 after December 31, 2014, and before Janu-
3 ary 1, 2016, 69 years of age, and

4 “(D) with respect to an individual who attains
5 age 62 in any year after December 31, 2015, the
6 projected retirement age (as determined by the Com-
7 missioner under paragraph (3)) for the year in
8 which such individual attains age 62.”.

9 (b) EARLY RETIREMENT AGE.—Section 216(l)(2) of
10 such Act (42 U.S.C. 416(l)(2)) is amended to read as fol-
11 lows:

12 “(2) The term ‘early retirement age’ means—

13 “(A) except as otherwise provided in this para-
14 graph—

15 “(i) age 62, in the case of an old-age,
16 wife’s, or husband’s insurance benefit, or

17 “(ii) age 60, in the case of a widow’s or
18 widower’s insurance benefit,

19 “(B) with respect to an individual who attains
20 early retirement age (as defined in subparagraph
21 (A)) after December 31, 1999, and before January
22 1, 2011, the applicable retirement age (as defined in
23 paragraph (1)), minus—

24 “(i) 3 years, in the case of an old-age,
25 wife’s, or husband’s insurance benefit, or

1 “(ii) 5 years, in the case of a widow’s or
2 widower’s insurance benefit,

3 “(C) with respect to an individual who attains
4 early retirement age (as defined in subparagraph
5 (A)) after December 31, 2010, and before January
6 1, 2016—

7 “(i) age 65, in the case of an old-age,
8 wife’s, or husband’s insurance benefit, or

9 “(ii) age 63, in the case of a widow’s or
10 widower’s insurance benefit, and

11 “(D) with respect to an individual who attains
12 early retirement age (as defined in subparagraph
13 (A)) after December 31, 2015, the applicable retire-
14 ment age (as defined in paragraph (1)), minus—

15 “(i) 4 years, in the case of an old-age,
16 wife’s, or husband’s insurance benefit, or

17 “(ii) 6 years, in the case of a widow’s or
18 widower’s insurance benefit.”.

19 (c) PROJECTED RETIREMENT AGE.—Section
20 216(l)(3) of such Act (42 U.S.C. 416(l)(3)) is amended
21 to read as follows:

22 “(3)(A) Not later than October 1 of each year after
23 2014, the Commissioner of Social Security shall deter-
24 mine, and publish in the Federal Register, the projected
25 retirement age for the year following such October 1.

1 “(B) For purposes of this paragraph—

2 “(i) The ‘projected retirement age’ for any year
3 means the age (rounded, if not otherwise expressible
4 as a whole number of months, to the next lower
5 whole number of months) which, if such age were
6 the retirement age (as defined in this subsection) in
7 effect for individuals who attain age 62 in such year
8 (and are credited under this title with wages or self-
9 employment income), would cause the ratio of the
10 projected post-retirement lifetime for such individ-
11 uals to the potential working lifetime for such indi-
12 viduals to be equal to the ratio of the projected post-
13 retirement lifetime for all individuals who attain age
14 62 in 2015 (and are credited under this title with
15 wages or self-employment income) to the potential
16 working lifetime for such individuals attaining age
17 62 in 2015.

18 “(ii) The ‘projected post-retirement lifetime’ for
19 individuals attaining age 62 in any year means the
20 average projected lifetime (rounded, if not otherwise
21 expressible as a whole number of months, to the
22 next lower whole number of months) of such individ-
23 uals commencing with the month following the
24 month in which the applicable retirement age is at-
25 tained, as determined by the Commissioner of Social

1 Security, utilizing the intermediate actuarial as-
 2 sumptions utilized by the Board of Trustees of the
 3 Federal Old-Age and Survivors Insurance Trust
 4 Fund for its most recent annual report issued under
 5 section 201(c).

6 “(iii) The ‘potential working lifetime’ for indi-
 7 viduals attaining age 62 in any year means the num-
 8 ber of calendar months during the period beginning
 9 with January of the year following the year in which
 10 age 20 is attained by such individuals and ending
 11 with the month in which the applicable retirement
 12 age is attained by such individuals.”.

13 (d) DEFINITION OF ELAPSED YEARS FOR PURPOSES
 14 OF DETERMINING BENEFIT COMPUTATION YEARS.—Sec-
 15 tion 215(b)(2)(B)(iii) of such Act (42 U.S.C.
 16 415(b)(2)(B)(iii)) is amended—

17 (1) by striking “the year in which he attained
 18 age 62” and all that follows and inserting “the year
 19 in which he attained—”; and

20 (2) by adding at the end the following:

21 “(I) early retirement age (as defined in
 22 section 216(l)(2) in the case of old-age, wife’s,
 23 and husband’s insurance benefits), in the case
 24 of an individual who attained age 62 before
 25 January 1, 2012,

“(II) age 65 plus $\frac{3}{12}$ of the number of months in the period beginning with January 2012 and ending with the last month of the calendar year in which the individual attained age 62, in the case of an individual who attained age 62 after December 31, 2011, and before January 1, 2015, or

“(III) one year greater than early retirement age (as so defined), in the case of an individual who attained age 62 after December 31, 2014;

except that such term excludes any calendar year any part of which is included in a period of disability.”.

SEC. 202. ADJUSTMENTS TO BEND POINTS IN DETERMINING PRIMARY INSURANCE AMOUNTS.

(a) **ADDITIONAL BEND POINT.**—Section 215(a)(1)(A) of the Social Security Act (42 U.S.C. 415(a)(1)(A)) is amended—

(1) in clause (ii), by striking “and” at the end;

(2) in clause (iii), by striking “clause (ii),” and inserting the following: “clause (ii) but do not exceed the amount established for purposes of this clause by subparagraph (B), and”; and

1 (3) by inserting after clause (iii) the following
2 new clause:

3 “(iv) the applicable percentage of the individ-
4 ual’s average indexed monthly earnings to the extent
5 that such earnings exceed the amount established
6 for purposes of clause (iii), determined, in connec-
7 tion with the calendar year in which the individual
8 initially becomes eligible for old-age or disability in-
9 surance benefits, or dies (before becoming eligible
10 for such benefits), in accordance with the following
11 table:

“Calendar year:	Applicable Percentage:
1999	13 percent
2000	11 percent
2001	9 percent
2002	7 percent
After 2002	5 percent.”.

12 (b) INITIAL LEVEL OF ADDITIONAL BEND POINT.—
13 Section 215(a)(1)(B)(i) of such Act (42 U.S.C.
14 415(a)(1)(B)(i)) is amended by adding at the end the fol-
15 lowing new sentence: “For individuals who initially become
16 eligible for old-age or disability insurance benefits, or who
17 die (before becoming eligible for such benefit), in the cal-
18 endar year 1998, the amount established for purposes of
19 clause (iii) of subparagraph (A) shall be \$3,391.”.

20 (c) ANNUAL ADJUSTMENTS TO PIA FORMULA.—

1 (1) IN GENERAL.—Section 215(a)(1)(B) of
2 such Act (42 U.S.C. 415(a)(1)(B)) is amended fur-
3 ther—

4 (A) by redesignating clause (iii) as clause
5 (v);

6 (B) in clause (ii), by striking “1979, each
7 of the amounts so established shall equal the
8 product of the corresponding amount” and in-
9 serting “1998, the amount established for pur-
10 poses of clause (i) of subparagraph (A) shall
11 equal the product of the amount established for
12 purposes of clause (i) of subparagraph (A)”;

13 (C) by inserting after clause (ii) the follow-
14 ing new clauses:

15 “(iii) For individuals who initially become eligible for
16 old-age or disability insurance benefits, or who die (before
17 becoming eligible for such benefits), in any calendar year
18 after 1998, effective for such calendar year, each of the
19 amounts established under clause (i) for purposes of
20 clauses (ii) and (iii) of subparagraph (A) shall equal the
21 corresponding amount in effect for the preceding calendar
22 year, increased by the same percentage as the percentage
23 by which the Consumer Price Index for the calendar quar-
24 ter ending with September 30 of such preceding calendar
25 year exceeds the Consumer Price Index for the calendar

1 quarter ending with the preceding September 30. For pur-
2 poses of this clause, the Consumer Price Index for a cal-
3 endar quarter shall be the arithmetical mean of the
4 Consumer Price Index for Wage Earners and Clerical
5 Workers (CPI-W), as prepared by the Department of
6 Labor, for the 3 months in such quarter.

7 “(iv) For individuals who initially become eligible for
8 old-age or disability insurance benefits, or who die (before
9 becoming eligible for such benefits), in any calendar year
10 after 1998, effective for such calendar year—

11 “(I) the percentage in effect under clause (ii) of
12 subparagraph (A) shall be equal to the product de-
13 rived by multiplying the percentage in effect under
14 such clause for the preceding calendar year by 0.98,
15 and

16 “(II) the percentage in effect under clause (iii)
17 of subparagraph (A) shall be equal to the product
18 derived by multiplying the percentage in effect under
19 such clause for the preceding calendar year by
20 0.975.

21 “(v) For individuals who initially become eligible for
22 old-age or disability insurance benefits, or who die (before
23 becoming eligible for such benefits), in any calendar year
24 after 2003, effective for such calendar year, the percent-
25 age in effect under clause (iv) of subparagraph (A) shall

1 be equal to the product derived by multiplying the percent-
 2 age in effect under such clause for the preceding calendar
 3 year by 0.975.”; and

4 (D) in clause (v) (as redesignated), by
 5 striking “amount” and inserting “dollar
 6 amount”, by striking “clause (ii)” and inserting
 7 “clauses (ii) and (iii)”, and by adding at the
 8 end the following new sentence: “Each percent-
 9 age established under clause (iv) for any cal-
 10 endar year shall be rounded to the nearest
 11 0.001 percent, except that any percentage so
 12 established which is a multiple of 0.0005 per-
 13 cent but not of 0.001 percent shall be rounded
 14 to the next higher 0.001 percent.”.

15 (2) EFFECTIVE DATE.—The amendments made
 16 by this subsection shall apply with respect to pri-
 17 mary insurance amounts of individuals attaining
 18 early retirement age (as defined in section 216(l) of
 19 the Social Security Act), or dying, after December
 20 31, 1997.

21 **SEC. 203. INFORMATION RELATING TO BENEFIT LIMITA-**
 22 **TIONS PROVIDED IN SOCIAL SECURITY AC-**
 23 **COUNT STATEMENTS.**

24 (a) IN GENERAL.—Section 1143 of the Social Secu-
 25 rity Act (42 U.S.C. 1320b–13) is amended—

1 (1) in the heading for subsection (a), by strik-
2 ing “Upon Request” and inserting “of Annual
3 Statements”;

4 (2) in subsection (a)(1), by striking “Begin-
5 ning” and all that follows and inserting the follow-
6 ing: “The Commissioner of Social Security shall pro-
7 vide an annual social security account statement
8 (hereinafter in this section referred to as the ‘state-
9 ment’) to each eligible individual for whom a mailing
10 address can be determined through such methods as
11 the Commissioner determines to be appropriate.”;

12 (3) in subsection (a)(2)(A), by striking “at the
13 date of the request”;

14 (4) in subsection (a)(2)(B), by striking “on the
15 date of the request”;

16 (5) in subsection (a)(2)(C), by striking “on the
17 date of the request” and by striking “and” at the
18 end;

19 (6) in subsection (a)(2)(D), by inserting “in the
20 case of individuals not receiving benefits,” after
21 “(D)”, and by striking “title XVIII.” and inserting
22 “title XVIII; and”;

23 (7) by adding after subparagraph (D) the fol-
24 lowing:

1 “(E) a table setting forth an estimate, in rela-
2 tion to 1980 and every 10th year thereafter through
3 2030, of the following information:

4 “(i) the total amount of the current ad-
5 justed values of all employee, employer, and
6 self-employment contributions made with re-
7 spect to the wages and self-employment income
8 of the average earner retiring at retirement age
9 in each such year;

10 “(ii) the total amount of the current ad-
11 justed values of the social security old-age or
12 survivors benefits (as defined in section
13 202(y)(3)(D)) paid for all prior months on the
14 basis of the wages and self-employment income
15 of the average earner retiring at retirement age
16 in each such year; and

17 “(iii) the total amount of the current ad-
18 justed values of the monthly benefits which will
19 have been paid under such subsections, as of
20 the time of the death of the average earner re-
21 tiring at retirement age in each such year, on
22 the basis of his or her wages and self-employ-
23 ment income, as projected under the intermedi-
24 ate actuarial assumptions utilized by the Board
25 of Trustees of the Federal Old-Age and Survi-

1 vors Insurance Trust Fund for its most recent
2 annual report issued under section 201(c).”;

3 For purposes of subparagraph (E), the term ‘current ad-
4 justed value’ has the meaning provided in section
5 202(y)(3)(C).”;

6 (8) by striking subsection (b);

7 (9) in subsection (c)—

8 (A) by striking the heading and inserting
9 the following:

10 “Required Estimates of Benefits”;

11 (B) by striking “(c)(1) By not later” and
12 all that follows through “With respect to” in
13 paragraph (2) and inserting “(b) With respect
14 to”; and

15 (C) by adding at the end the following new
16 sentence: “The Commissioner shall provide such
17 estimates of retirement benefit amounts to eligi-
18 ble individuals who have not attained age 50
19 upon request.”; and

20 (10) by adding at the end the following new
21 subsection:

22 “Inclusion of Statements to Retirees With Other Mailings

23 “(c) The Commissioner of Social Security shall en-
24 sure that statements provided to eligible individuals who
25 are receiving benefits under title II are included to the

1 maximum extent practicable with mailings otherwise made
 2 to such individuals. The Commissioner shall consult with
 3 the Secretary of the Treasury in carrying out the require-
 4 ment of this subsection and such Secretary shall provide
 5 such appropriate assistance to the Commissioner as is nec-
 6 essary to carry out such requirements.”.

7 (b) EFFECTIVE DATE.—The amendments made by
 8 subsection (a) shall apply with respect to statements pro-
 9 vided on or after October 1, 1998.

10 **SEC. 204. PHASED REDUCTION IN SPOUSAL BENEFITS**

11 **OTHER THAN SURVIVOR’S BENEFITS TO 33**

12 **PERCENT OF PRIMARY INSURANCE AMOUNT.**

13 (a) WIFE’S INSURANCE BENEFITS.—Section
 14 202(b)(2) of the Social Security Act (42 U.S.C. 402(b)(2))
 15 is amended to read as follows:

16 “(2)(A) Except as provided in subsection (q) and
 17 paragraph (4) of this subsection, such wife’s insurance
 18 benefit for each month shall be equal to the applicable per-
 19 centage of the primary insurance amount of her husband
 20 (or, in the case of a divorced wife, her former husband)
 21 in connection with the calendar year in which such individ-
 22 ual becomes eligible for such benefit, as specified in the
 23 following table:

“If the calendar year in which the individual be-	The applicable percentage shall
comes eligible is:	be:

Before calendar year 2000	50 percent
Calendar year 2000	49 percent

“If the calendar year in which the individual becomes eligible is: The applicable percentage shall be:

Calendar year 2001	48 percent
Calendar year 2002	47 percent
Calendar year 2003	46 percent
Calendar year 2004	45 percent
Calendar year 2005	44 percent
Calendar year 2006	43 percent
Calendar year 2007	42 percent
Calendar year 2008	41 percent
Calendar year 2009	40 percent
Calendar year 2010	39 percent
Calendar year 2011	38 percent
Calendar year 2012	37 percent
Calendar year 2013	36 percent
Calendar year 2014	35 percent
Calendar year 2015	34 percent
After calendar year 2015	33 percent

1 “(B) For purposes of subparagraph (A)—

2 “(i) an individual shall be treated as eligible for
3 a wife’s insurance benefit if such individual meets
4 the requirements of subparagraphs (B), (C), and
5 (D) of paragraph (1), and

6 “(ii) in determining when an individual becomes
7 eligible for a wife’s insurance benefit, any break in
8 eligibility of less than 12 consecutive months shall
9 not be taken into account.”.

10 (b) HUSBAND’S INSURANCE BENEFITS.—Section
11 202(c)(3) of such Act (42 U.S.C. 402(c)(3)) is amended
12 to read as follows:

13 “(3)(A) Except as provided in subsection (q) and
14 paragraph (2) of this subsection, such husband’s insur-
15 ance benefit for each month shall be equal to the applica-
16 ble percentage of the primary insurance amount of his wife

1 (or, in the case of a divorced husband, his former wife)
 2 in connection with the calendar year in which such individ-
 3 ual becomes eligible for such benefit, as specified in the
 4 following table:

“If the calendar year in which the individual be- comes eligible is: The applicable percentage shall be:

Before calendar year 2000	50 percent
Calendar year 2000	49 percent
Calendar year 2001	48 percent
Calendar year 2002	47 percent
Calendar year 2003	46 percent
Calendar year 2004	45 percent
Calendar year 2005	44 percent
Calendar year 2006	43 percent
Calendar year 2007	42 percent
Calendar year 2008	41 percent
Calendar year 2009	40 percent
Calendar year 2010	39 percent
Calendar year 2011	38 percent
Calendar year 2012	37 percent
Calendar year 2013	36 percent
Calendar year 2014	35 percent
Calendar year 2015	34 percent
After calendar year 2015	33 percent

5 “(B) For purposes of subparagraph (A)—

6 “(i) an individual shall be treated as eligible for
 7 a husband’s insurance benefit if such individual
 8 meets the requirements of subparagraphs (B), (C),
 9 and (D) of paragraph (1), and

10 “(ii) in determining when an individual becomes
 11 eligible for a husband’s insurance benefit, any break
 12 in eligibility of less than 12 consecutive months shall
 13 not be taken into account.”.

1 **SEC. 205. LIMITATION ON PAYMENT OF CERTAIN BENEFITS**
2 **IN EXCESS OF CONTRIBUTIONS DURING**
3 **YEARS OF HIGHER INCOME.**

4 (a) IN GENERAL.—Section 202 of the Social Security
5 Act (42 U.S.C. 402) is amended by adding at the end the
6 following new subsection:

7 “LIMITATION ON PAYMENT OF CERTAIN BENEFITS IN EX-
8 CESS OF CONTRIBUTIONS DURING YEARS OF HIGHER
9 INCOME

10 “(y)(1) Notwithstanding any other provision of this
11 title, if, with respect to any year of higher income for an
12 individual—

13 “(A) the total amount of the current adjusted
14 values of all of such individual’s social security old-
15 age or survivors benefits in prior months, deter-
16 mined as of the beginning of such year, exceed

17 “(B) the total amount of the current adjusted
18 values of all OASDI taxes paid with respect to the
19 wages and self-employment income on which such
20 benefits are based, determined as of the beginning of
21 such year,

22 then such individual’s social security old-age or survivors
23 benefits for any month in such year shall be reduced (after
24 all other deductions and reductions applicable under this
25 title) by the percentage reduction determined under para-
26 graph (2) for such year. Benefits, as reduced under this

1 paragraph, if not a multiple of \$1, shall be increased to
2 the next higher multiple of \$1.

3 “(2)(A) The percentage reduction determined under
4 this paragraph for an individual’s taxable year is the prod-
5 uct derived by multiplying—

6 “(i) 1 percent, by

7 “(ii) the applicable income-based factor of the
8 individual for the taxable year.

9 “(B)(i) For purposes of subparagraph (A), in the
10 case of an individual who is not married as of the begin-
11 ning of the taxable year, the applicable income-based fac-
12 tor of the individual for the taxable year is the quotient
13 (not greater than 100) derived by dividing—

14 “(I) the individual’s excess income for the tax-
15 able year, by

16 “(II) \$300,
17 rounded (if not a whole number) to the next lower whole
18 number.

19 “(ii) For purposes of clause (i), an individual’s excess
20 income for a taxable year is the excess of—

21 “(I) the adjusted gross income of such individ-
22 ual for such taxable year, over

23 “(II) \$50,000.

24 “(C)(i) For purposes of subparagraph (A), in the
25 case of an individual who is married as of the beginning

1 of the taxable year, the applicable income-based factor of
2 the individual for the taxable year is the quotient (not
3 greater than 100) derived by dividing—

4 “(I) the excess joint income of the individual
5 and the individual’s spouse for the taxable year, by

6 “(II) \$600,
7 rounded (if not a whole number) to the next lower whole
8 number.

9 “(ii) For purposes of clause (i), the excess joint in-
10 come of an individual and the individual’s spouse for a
11 taxable year is the excess of—

12 “(I) the total adjusted gross income of such in-
13 dividual and such individual’s spouse for such tax-
14 able year, over

15 “(II) \$100,000.

16 “(3) For purposes of this subsection—

17 “(A) The term ‘year of higher income’ for an
18 individual means any taxable year—

19 “(i) if, in the case of an individual who is
20 not married as of the beginning of such taxable
21 year, the adjusted gross income of such individ-
22 ual for such taxable year exceeds \$50,000, or

23 “(ii) if, in the case of an individual who is
24 married as of the beginning of such taxable
25 year, the total adjusted gross income of such in-

1 dividual and such individual's spouse for such
2 taxable year exceeds \$100,000.

3 “(B) The term ‘adjusted gross income’ has the
4 meaning provided in section 62 of the Internal Reve-
5 nue Code of 1986.

6 “(C)(i) The term ‘current adjusted value’ of an
7 amount, determined as of the beginning of any cal-
8 endar year, means the original amount, plus interest
9 on such amount, compounded annually through the
10 end of the preceding calendar year at the trust fund
11 interest rate as in effect from year to year.

12 “(ii) The term ‘trust fund interest rate’ in ef-
13 fect for any year means the average rate of interest
14 earned during the fiscal year ending in such year on
15 investments of amounts in the Federal Old-Age and
16 Survivors Insurance Trust Fund and the Federal
17 Disability Insurance Trust Fund, as determined by
18 the Managing Trustee of such Trust Funds.

19 “(D) The term ‘social security old-age or survi-
20 vors benefit’ of an individual means a monthly insur-
21 ance benefit under this title based on the wages and
22 self-employment income of such individual and paid
23 or payable from the Federal Old-Age and Survivors
24 Insurance Trust Fund.

1 “(E) The term ‘OASDI taxes’ means the taxes
2 imposed under sections 1401(a), 3101(a), and
3 3111(a) of the Internal Revenue Code of 1986.

4 “(4) The Commissioner of Social Security shall pro-
5 vide by regulation for the maintenance of such records,
6 relating to individuals to whom social security old-age or
7 survivors benefits are otherwise payable under this section,
8 of total benefits paid and OASDI taxes paid, as is nec-
9 essary to preclude, to the maximum extent practicable,
10 overpayments and underpayments of benefits resulting
11 from the operation of this subsection. The Commissioner
12 and the Secretary of the Treasury shall enter into such
13 arrangements as are necessary to ensure that such records
14 maintained by the Commissioner are currently accurate at
15 all times.

16 “(5)(A) In any case in which a taxable year of an
17 individual is a year of higher income for such individual,
18 if a social security old-age or survivors benefit has been
19 paid to such individual for any month in such year, such
20 individual (or the individual who is in receipt of such bene-
21 fit on his behalf) shall make a report to the Commissioner
22 of Social Security of his adjusted gross income, and (if
23 he is married) the adjusted gross income of his spouse,
24 for such taxable year. Such report shall be made on or
25 before the fifteenth day of the fourth month following the

1 close of such year, and shall contain such information and
2 be made in such manner as the Commissioner may by reg-
3 ulations prescribe. The Commissioner may grant a reason-
4 able extension of time for making such report if he finds
5 that there is valid reason for a delay, but in no case may
6 the period be extended more than three months.

7 “(B) If an individual fails to make a report required
8 under subparagraph (A), within the time prescribed by or
9 in accordance with such subparagraph, for any taxable
10 year and a benefit based on such individual’s wages and
11 self-employment income is paid for any month in such tax-
12 able year or the next following taxable year which is in
13 excess of the amount payable by reason of this subsection,
14 he shall be deemed to have been overpaid for such month
15 an additional amount as follows:

16 “(i) in the case of the first such month for
17 which a benefit is paid in excess of the amount pay-
18 able by reason of this subsection, the additional
19 amount shall be equal to the amount of such excess;

20 “(ii) in the case of the second such month for
21 which a benefit is paid in excess of the amount pay-
22 able by reason of this subsection, the additional
23 amount shall be equal to two times the amount of
24 such excess; and

1 “(iii) in the case of the third or a subsequent
2 such month for which a benefit is paid in excess of
3 the amount payable by reason of this subsection, the
4 additional amount shall be equal to three times the
5 amount of such excess;

6 except that additional amounts of overpayment deter-
7 mined under this paragraph shall be determined only for
8 months for which the benefit in excess of the amount pay-
9 able was received and accepted.

10 “(C)(i)(I) If the Commissioner of Social Security de-
11 termines, on the basis of information obtained by or sub-
12 mitted to him, that it may reasonably be expected that
13 an individual’s social security old-age or survivors benefits
14 will not be payable (in whole or in part) for any month
15 in a taxable year of such individual by reason of this sub-
16 section, the Commissioner may, before the close of such
17 taxable year, suspend the payment (in whole or in part)
18 for each month in such year (or for only such months as
19 the Commissioner may specify) of such benefits. Such sus-
20 pension shall remain in effect with respect to the benefits
21 for any month until the Commissioner has determined the
22 extent to which benefits are payable under this subsection.

23 “(II) The Commissioner of Social Security may, be-
24 fore the close of the taxable year of an individual on whose
25 wages and self-employment income benefits are otherwise

1 payable during such year, request of such individual that
2 he make, at such time or times as the Commissioner may
3 specify, a declaration of his estimated adjusted gross in-
4 come (or the estimated total adjusted gross income for
5 him and his spouse) for the taxable year and that he fur-
6 nish to the Commissioner such other information with re-
7 spect to such income as the Commissioner may specify.
8 A failure by such individual to comply with any such re-
9 quest shall in itself constitute justification for a deter-
10 mination under subclause (I) that it may reasonably be
11 expected that such benefits are not payable (in whole or
12 in part) by reason of this subsection.

13 “(III) If the payment of an individual’s social security
14 old-age or survivors benefits have been suspended (in
15 whole or in part) for all months in any taxable year of
16 such individual under subclause (I), no payment of such
17 unpaid benefits shall be made for any such month in such
18 taxable year after the expiration of the period of three
19 years, three months, and fifteen days following the close
20 of such taxable year unless within such period the individ-
21 ual, or some other person entitled to benefits under this
22 title on the basis of the same wages and self-employment
23 income, files with the Commissioner of Social Security in-
24 formation showing that the unpaid portion of a benefit
25 for such month is payable to such individual.

1 “(ii) If, after the close of a taxable year of an individ-
2 ual to whom social security old-age or survivors benefits
3 were otherwise payable for months in such year, the Com-
4 missioner of Social Security requests such individual to
5 furnish a report of his adjusted gross income (or the total
6 adjusted gross income of him and his spouse) for such tax-
7 able year or any other information with respect to such
8 income which the Commissioner may specify, and the indi-
9 vidual fails to comply with such request, such failure shall
10 in itself constitute justification for a determination that
11 such benefits were not payable (in whole or in part) for
12 each month in such taxable year (or only for such months
13 thereof as the Commissioner may specify) by reason of
14 this subsection.

15 “(D) The Commissioner of Social Security shall de-
16 velop and implement procedures in accordance with this
17 paragraph to avoid paying more than the correct amount
18 of an individual’s social security old-age or survivors bene-
19 fits as a result of the failure of the individual to file a
20 correct report or estimate of adjusted gross income. Such
21 procedures may include identifying categories of individ-
22 uals whose social security old-age or survivors benefits
23 which are not payable (in whole or in part) under this
24 subsection are likely to be paid and requesting that they
25 estimate their adjusted gross income (or the total adjusted

1 gross income of them and their spouses) more frequently
 2 than other persons subject to this subsection.

3 “(6) Benefits of any individual (other than an indi-
 4 vidual described in paragraph (1)) based on the wages and
 5 self-employment income of any other individual to whom
 6 benefits are not payable by reason of paragraph (1) shall
 7 be payable as though such other individual were receiving
 8 such benefits.”.

9 (b) EFFECTIVE DATE.—The amendments made by
 10 this section shall apply with respect to benefits otherwise
 11 payable in taxable years ending after December 31, 1997.

12 **SEC. 206. COVERAGE OF NEWLY HIRED STATE AND LOCAL**
 13 **EMPLOYEES.**

14 (a) AMENDMENTS TO THE SOCIAL SECURITY ACT.—

15 (1) IN GENERAL.—Paragraph (7) of section
 16 210(a) of the Social Security Act (42 U.S.C.
 17 410(a)(7)) is amended to read as follows:

18 “(7) Excluded State or local government em-
 19 ployment (as defined in subsection (s));”.

20 (2) EXCLUDED STATE OR LOCAL GOVERNMENT
 21 EMPLOYMENT.—

22 (A) IN GENERAL.—Section 210 of such
 23 Act (42 U.S.C. 410) is amended by adding at
 24 the end the following new subsection:

1 “Excluded State or Local Government Employment

2 “(s)(1) IN GENERAL.—The term ‘excluded State or
3 local government employment’ means any service per-
4 formed in the employ of a State, of any political subdivi-
5 sion thereof, or of any instrumentality of any one or more
6 of the foregoing which is wholly owned thereby, if—

7 “(A)(i) such service would be excluded from the
8 term ‘employment’ for purposes of this title if the
9 preceding provisions of this section as in effect in
10 August 1997 had remained in effect, and (ii) the re-
11 quirements of paragraph (2) are met with respect to
12 such service, or

13 “(B) the requirements of paragraph (3) are met
14 with respect to such service.

15 “(2) EXCEPTION FOR CURRENT EMPLOYMENT
16 WHICH CONTINUES.—

17 “(A) IN GENERAL.—The requirements of this
18 paragraph are met with respect to service for any
19 employer if—

20 “(i) such service is performed by an indi-
21 vidual—

22 “(I) who was performing substantial
23 and regular service for remuneration for
24 that employer before January 1, 1998,

1 “(II) who is a bona fide employee of
2 that employer on December 31, 1997, and

3 “(III) whose employment relationship
4 with that employer was not entered into
5 for purposes of meeting the requirements
6 of this subparagraph, and

7 “(ii) the employment relationship with that
8 employer has not been terminated after Decem-
9 ber 31, 1997.

10 “(B) TREATMENT OF MULTIPLE AGENCIES AND
11 INSTRUMENTALITIES.—For purposes of subpara-
12 graph (A), under regulations (consistent with regula-
13 tions established under section 3121(t)(2)(B) of the
14 Internal Revenue Code of 1986)—

15 “(i) all agencies and instrumentalities of a
16 State (as defined in section 218(b)) or of the
17 District of Columbia shall be treated as a single
18 employer, and

19 “(ii) all agencies and instrumentalities of a
20 political subdivision of a State (as so defined)
21 shall be treated as a single employer and shall
22 not be treated as described in clause (i).

23 “(3) EXCEPTION FOR CERTAIN SERVICES.—

1 “(A) IN GENERAL.—The requirements of this
2 paragraph are met with respect to service if such
3 service is performed—

4 “(i) by an individual who is employed by a
5 State or political subdivision thereof to relieve
6 such individual from unemployment,

7 “(ii) in a hospital, home, or other institu-
8 tion by a patient or inmate thereof as an em-
9 ployee of a State or political subdivision thereof
10 or of the District of Columbia,

11 “(iii) by an individual, as an employee of
12 a State or political subdivision thereof or of the
13 District of Columbia, serving on a temporary
14 basis in case of fire, storm, snow, earthquake,
15 flood, or other similar emergency,

16 “(iv) by any individual as an employee in-
17 cluded under section 5351(2) of title 5, United
18 States Code (relating to certain interns, student
19 nurses, and other student employees of hos-
20 pitals of the District of Columbia Government),
21 other than as a medical or dental intern or a
22 medical or dental resident in training,

23 “(v) by an election official or election
24 worker if the remuneration paid in a calendar
25 year for such service is less than \$1,000 with

1 respect to service performed during 1998, and
2 the adjusted amount determined under sub-
3 paragraph (C) for any subsequent year with re-
4 spect to service performed during such subse-
5 quent year, except to the extent that service by
6 such election official or election worker is in-
7 cluded in employment under an agreement
8 under section 218, or

9 “(vi) by an employee in a position com-
10 pensated solely on a fee basis which is treated
11 pursuant to section 211(c)(2)(E) as a trade or
12 business for purposes of inclusion of such fees
13 in net earnings from self-employment.

14 “(B) DEFINITIONS.—As used in this para-
15 graph, the terms ‘State’ and ‘political subdivision’
16 have the meanings given those terms in section
17 218(b).

18 “(C) ADJUSTMENTS TO DOLLAR AMOUNT FOR
19 ELECTION OFFICIALS AND ELECTION WORKERS.—
20 For each year after 1998, the Commissioner of So-
21 cial Security shall adjust the amount referred to in
22 subparagraph (A)(v) at the same time and in the
23 same manner as is provided under section
24 215(a)(1)(B)(ii) with respect to the amounts re-
25 ferred to in section 215(a)(1)(B)(i), except that—

1 “(i) for purposes of this subparagraph,
2 1995 shall be substituted for the calendar year
3 referred to in section 215(a)(1)(B)(ii)(II), and

4 “(ii) such amount as so adjusted, if not a
5 multiple of \$100, shall be rounded to the next
6 higher multiple of \$100 where such amount is
7 a multiple of \$50 and to the nearest multiple
8 of \$100 in any other case.

9 The Commissioner of Social Security shall determine
10 and publish in the Federal Register each adjusted
11 amount determined under this subparagraph not
12 later than November 1 preceding the year for which
13 the adjustment is made.”.

14 (B) CONFORMING AMENDMENTS.—

15 (i) Subsection (k) of section 210 of
16 such Act (42 U.S.C. 410(k)) (relating to
17 covered transportation service) is repealed.

18 (ii) Section 210(p) of such Act (42
19 U.S.C. 410(p)) is amended—

20 (I) in paragraph (2), by striking
21 “service is performed” and all that
22 follows and inserting “service is serv-
23 ice described in subsection (s)(3)(A).”;
24 and

1 (II) in paragraph (3)(A), by in-
2 serting “under subsection (a)(7) as in
3 effect in December 1997” after “sec-
4 tion”.

5 (iii) Section 218(c)(6) of such Act (42
6 U.S.C. 418(c)(6)) is amended—

7 (I) by striking subparagraph (C);

8 (II) by redesignating subpara-
9 graphs (D) and (E) as subparagraphs
10 (C) and (D), respectively; and

11 (III) by striking subparagraph
12 (F) and inserting the following:

13 “(E) service which is included as employment
14 under section 210(a).”

15 (b) AMENDMENTS TO THE INTERNAL REVENUE
16 CODE OF 1986.—

17 (1) IN GENERAL.—Paragraph (7) of section
18 3121(b) of the Internal Revenue Code of 1986 (re-
19 lating to employment) is amended to read as follows:

20 “(7) excluded State or local government em-
21 ployment (as defined in subsection (t));”.

22 (2) EXCLUDED STATE OR LOCAL GOVERNMENT
23 EMPLOYMENT.—Section 3121 of such Code is
24 amended by inserting after subsection (s) the follow-
25 ing new subsection:

1 “(t) EXCLUDED STATE OR LOCAL GOVERNMENT EM-
2 PLOYMENT.—

3 “(1) IN GENERAL.—For purposes of this chap-
4 ter, the term ‘excluded State or local government
5 employment’ means any service performed in the
6 employ of a State, of any political subdivision there-
7 of, or of any instrumentality of any one or more of
8 the foregoing which is wholly owned thereby, if—

9 “(A)(i) such service would be excluded
10 from the term ‘employment’ for purposes of this
11 chapter if the provisions of subsection (b)(7) as
12 in effect in December 1997 had remained in ef-
13 fect, and (ii) the requirements of paragraph (2)
14 are met with respect to such service, or

15 “(B) the requirements of paragraph (3)
16 are met with respect to such service.

17 “(2) EXCEPTION FOR CURRENT EMPLOYMENT
18 WHICH CONTINUES.—

19 “(A) IN GENERAL.—The requirements of
20 this paragraph are met with respect to service
21 for any employer if—

22 “(i) such service is performed by an
23 individual—

24 “(I) who was performing sub-
25 stantial and regular service for remu-

1 neration for that employer before Jan-
2 uary 1, 1998,

3 “(II) who is a bona fide employee
4 of that employer on December 31,
5 1997, and

6 “(III) whose employment rela-
7 tionship with that employer was not
8 entered into for purposes of meeting
9 the requirements of this subpara-
10 graph, and

11 “(ii) the employment relationship with
12 that employer has not been terminated
13 after December 31, 1997.

14 “(B) TREATMENT OF MULTIPLE AGENCIES
15 AND INSTRUMENTALITIES.—For purposes of
16 subparagraph (A), under regulations—

17 “(i) all agencies and instrumentalities
18 of a State (as defined in section 218(b) of
19 the Social Security Act) or of the District
20 of Columbia shall be treated as a single
21 employer, and

22 “(ii) all agencies and instrumentalities
23 of a political subdivision of a State (as so
24 defined) shall be treated as a single em-

1 ployer and shall not be treated as de-
2 scribed in clause (i).

3 “(3) EXCEPTION FOR CERTAIN SERVICES.—

4 “(A) IN GENERAL.—The requirements of
5 this paragraph are met with respect to service
6 if such service is performed—

7 “(i) by an individual who is employed
8 by a State or political subdivision thereof
9 to relieve such individual from unemploy-
10 ment,

11 “(ii) in a hospital, home, or other in-
12 stitution by a patient or inmate thereof as
13 an employee of a State or political subdivi-
14 sion thereof or of the District of Columbia,

15 “(iii) by an individual, as an employee
16 of a State or political subdivision thereof
17 or of the District of Columbia, serving on
18 a temporary basis in case of fire, storm,
19 snow, earthquake, flood, or other similar
20 emergency,

21 “(iv) by any individual as an employee
22 included under section 5351(2) of title 5,
23 United States Code (relating to certain in-
24 terns, student nurses, and other student
25 employees of hospitals of the District of

1 Columbia Government), other than as a
2 medical or dental intern or a medical or
3 dental resident in training,

4 “(v) by an election official or election
5 worker if the remuneration paid in a cal-
6 endar year for such service is less than
7 \$1,000 with respect to service performed
8 during 1998, and the adjusted amount de-
9 termined under section 210(s)(3)(C) of the
10 Social Security Act for any subsequent
11 year with respect to service performed dur-
12 ing such subsequent year, except to the ex-
13 tent that service by such election official or
14 election worker is included in employment
15 under an agreement under section 218 of
16 the Social Security Act, or

17 “(vi) by an employee in a position
18 compensated solely on a fee basis which is
19 treated pursuant to section 1402(c)(2)(E)
20 as a trade or business for purposes of in-
21 clusion of such fees in net earnings from
22 self-employment.

23 “(B) DEFINITIONS.—As used in this para-
24 graph, the terms ‘State’ and ‘political subdivi-

1 sion’ have the meanings given those terms in
2 section 218(b) of the Social Security Act.”.

3 (3) CONFORMING AMENDMENTS.—

4 (A) Subsection (j) of such section 3121
5 (relating to covered transportation service) is
6 repealed.

7 (B) Paragraph (2) of section 3121(u) of
8 such Code (relating to application of hospital
9 insurance tax to Federal, State, and local em-
10 ployment) is amended—

11 (i) in subparagraph (B), by striking
12 “service is performed” in clause (ii) and all
13 that follows through the end of such sub-
14 paragraph and inserting “service is service
15 described in subsection (t)(3)(A).”; and

16 (ii) in subparagraph (C)(i), by insert-
17 ing “under subsection (b)(7) as in effect in
18 December 1996” after “chapter”.

19 (c) EFFECTIVE DATE.—Except as otherwise provided
20 in this section, the amendments made by this section shall
21 apply with respect to service performed after December
22 31, 1998.

1 **SEC. 207. INCREASE IN WIDOW'S AND WIDOWER'S INSUR-**
2 **ANCE BENEFITS.**

3 (a) WIDOW'S INSURANCE BENEFITS.—Section
4 202(e)(2) of the Social Security Act (42 U.S.C. 402(e)(2))
5 is amended—

6 (1) in subparagraph (A), by striking “the pri-
7 mary insurance amount” and inserting “110 percent
8 of the primary insurance amount”;

9 (2) in subparagraph (D)(i), by inserting “110
10 percent of” before “the amount”; and

11 (3) in subparagraph (D)(ii), by striking “82 1/
12 2 percent” and inserting “90¹/₄ percent”.

13 (b) WIDOWER'S INSURANCE BENEFITS.—Section
14 202(f)(3) of such Act (42 U.S.C. 402(f)(3)) is amended—

15 (1) in subparagraph (A), by striking “the pri-
16 mary insurance amount” and inserting “110 percent
17 of the primary insurance amount”;

18 (2) in subparagraph (D)(i), by inserting “110
19 percent of” before “the amount”; and

20 (3) in subparagraph (D)(ii), by striking “82 1/
21 2 percent” and inserting “90¹/₄ percent”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply with respect to benefits for months
24 after December 1998.

1 **SEC. 208. STUDY TO DEVELOP RECOMMENDATIONS FOR**
2 **PROVIDING FOR ELECTIONS UNDER WHICH**
3 **INDIVIDUALS MAY OPT FOR EXCLUSION**
4 **FROM SOCIAL SECURITY COVERAGE.**

5 (a) IN GENERAL.—As soon as practicable after the
6 date of the enactment of this Act, the Commissioner of
7 Social Security shall conduct a thorough and comprehen-
8 sive study of the most appropriate and feasible means of
9 providing for elections under which individuals may opt
10 for exclusion from coverage under the old-age, survivors,
11 and disability insurance program under part A of title II
12 of the Social Security Act and chapters 2 and 21 of the
13 Internal Revenue Code of 1986.

14 (b) REQUIREMENTS.—In conducting the study pursu-
15 ant to this section, the Commissioner shall prepare and
16 make full use, as appropriate, of such econometric models
17 and actuarial analyses as are necessary to carry out such
18 study. Such study shall take into account the extent to
19 which the old-age, survivors, and disability insurance pro-
20 gram may accommodate such elections and the terms and
21 conditions for such elections which would most effectively
22 permit such accommodation. The Commissioner shall con-
23 duct the study pursuant to this section in consultation
24 with the Board of Trustees of the Federal Old-Age and
25 Survivors Insurance Trust Fund and the Federal Disabil-
26 ity Insurance Trust Fund and with other appropriate de-

1 partments and agencies of the Federal Government, and
2 such other departments and agencies shall provide to the
3 Commissioner such assistance, on a reimbursable basis, as
4 may be necessary and appropriate.

5 (c) REPORT.—Not later than 180 days after the date
6 of the enactment of this Act, the Commissioner of Social
7 Security shall submit to the Committee on Ways and
8 Means of the House of Representatives and the Committee
9 on Finance of the Senate a written report containing a
10 recommendation, or alternative recommendations, for pro-
11 viding for elections described in subsection (a). Such re-
12 port shall contain a complete description of the models and
13 analyses used in carrying out the study pursuant to this
14 section and shall be accompanied by draft legislation
15 which, if enacted, would carry out the recommendations
16 contained in the report.

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